世茂服務
SHIMAO SERVICE

SHIMAO SERVICES HOLDINGS LIMITED
世茂服務控股有限公司
(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 873)

ANNUAL RESULTS
FOR THE YEAR ENDED 31 DECEMBER 2023

RESULTS HIGHLIGHTS

1. Revenue amounted to RMB8,202.7 million, representing a decrease of 5.0% as compared to RMB8,636.8 million for the same period of 2022.

2. Revenue of the Group was derived from four business lines: (1) property management services; (2) community value-added services; (3) value-added services to non-property owners; and (4) city services. During the year, (1) revenue from property management services was RMB5,291.9 million, accounting for 64.5% of the total revenue and representing a year-on-year increase of 5.0% as compared to RMB5,042.0 million for the same period of 2022; (2) revenue from community value-added services amounted to RMB1,362.9 million, accounting for 16.6% of the total revenue and representing a year-on-year decrease of 19.3% as compared to RMB1,688.3 million for the same period of 2022; (3) revenue from value-added services to non-property owners amounted to RMB213.1 million, accounting for 2.6% of the total revenue and representing a year-on-year decrease of 59.4% as compared to RMB525.1 million for the same period of 2022; and (4) revenue from city services amounted to RMB1,334.8 million, accounting for 16.3% of the total revenue and representing a year-on-year decrease of 3.4% as compared to RMB1,381.4 million for the same period of 2022.

3. Gross profit amounted to RMB1,646.4 million, representing a year-on-year decrease of 15.3% as compared to RMB1,943.0 million for the same period of 2022.

4. Operating profit amounted to RMB343.6 million, achieving a significant improvement as compared to the operating loss of RMB809.8 million for the same period of 2022.

5. Profit for the year amounted to RMB316.7 million, achieving a significant improvement as compared to loss for the year of RMB876.7 million for the same period of 2022. During the year, profit attributable to equity holders of the Company was RMB273.2 million, achieving a significant improvement as compared to loss attributable to equity holders of the Company of RMB927.1 million for the same period of 2022. The core net profit *(Note)* attributable to equity holders of the Company was RMB647.7 million, representing a year-on-year increase of 29.6% as compared to RMB499.6 million for the same period of 2022.

6. During the year, basic earnings per share amounted to RMB0.11, achieving a significant improvement as compared to basic loss per share of RMB0.38 for the same period of 2022.

7. The Group's cash and cash equivalents, including time deposits with maturity over three months, amounted to RMB4,788.3 million as of 31 December 2023, representing an increase of 2.6% as compared to RMB4,667.3 million as of 31 December 2022, mainly due to the increase of net cash generated from operating activities, which amounted to RMB1,030.4 million during the year.

Note: It represents the core net profit attributable to equity holders of the Company by excluding provision of impairment of receivables, expenses of the Share Award Scheme, fair value changes in purchase consideration adjustment, actual interest generated by convertible bonds, fair value changes in derivative embedded in convertible bonds, amortisation costs of intangible assets (brands, contracts and customer relationships) brought by mergers and acquisitions ("M&A"), impairment losses on vehicles, goodwill and customer relationship and performance compensation for acquired companies.

CHAIRMAN'S STATEMENT

Dear shareholders,

I am pleased to present the annual results of Shimao Services Holdings Limited ("Shimao Services", "Shimao" or the "Company", together with its subsidiaries, the "Group") for the year ended 31 December 2023.

Market and Industry

In 2023, the domestic economic condition changed. China's economic development entered a new stage, and the property services industry was under great pressure and faced a number of challenges. The overall downturn of real estate industry continued, and with the continuous decline in gross floor area ("GFA") of newly started residential property, there have been profound changes in market expansion for property management business. The existing stock of residential and non-residential projects became the main development direction for third-party market expansion. Since residents tend to be more prudent in spending, value-added services witnessed contraction and the development became more focused as a whole.

Under the new situation, competition among the peers may turn to the level of products and services. Big players in the industry began to reiterate the importance of service quality. They now focus on building up business capability while improving operational and management capabilities to enhance customer satisfaction and loyalty, thereby facilitate the expansion of third-party projects for larger market shares and promote diversified value-added services in order to expand overall business scale. As peers review the industrial development and return to the origins of basic property management services, the industry is set to be boosted with innovation and advancement.

At the beginning of 2024, with central government departments who voiced their support for the housing market and governments at all levels who actively issued favourable policies, first-tier cities began to loosen the restriction on housing purchases. Over 200 cities across the country have now established financing coordination mechanisms to provide a range of liquidity support to real estate developers. Such measures will help stabilise and gradually improve the fundamentals of the real estate industry, which benefits the downstream property services industry. At the end of 2023, the National Development and Reform Commission issued the Catalogue for Guiding Industry Restructuring (2024 Version)《產業結構調整指導目錄(2024版本)》, which included property services in the category of "Encouraged Business Services". This is also a recognition to the whole property management industry and should be conducive to the further development of the industry.

The enormous existing building stock and population base in China have long been the backbone of the property services industry. At present, the industry is still in its early stage with extremely low market concentration, thus the room for development remains huge and the prospect is bright in the future.

Under the new stage of economic development in China, the customer base and customers' demand of the property services industry serve as the strongest source of confidence for enterprises. By serving the grassroots and building better communities, property service enterprises will play an important role in stabilising and enhancing public satisfaction. The industry leading players will keep developing their business by building up their confidence and improving their internal strengths, so as to position themselves for the next round of gigantic development.

Annual Results

The Group recorded revenue of RMB8,202.7 million in 2023, gross profit of RMB1,646.4 million and core net profit attributable to equity holders of the Company of RMB647.7 million. The GFA under management amounted to 250.6 million sq.m. and the contracted GFA reached 332.3 million sq.m.. Gross profit margin of 20.1% and core net profit margin attributable to equity holders of the Company of 7.9% were achieved, maintaining a high level in the industry. The net cash generated from operating activities reached RMB1,030.4 million, significantly exceeding net profit and achieving high quality development.

Effective High-Quality Development

- ***Continuous, High-Quality Growth of Core Business***

  Property management services are the utmost important cornerstone of Shimao Services and have been growing continuously over the years, with a compound annual growth rate of up to 44.9% over the past five years. In 2023, revenue of property management services reached a record high of RMB5,291.9 million, laying a solid foundation for future development and injecting plenty of momentum into diversified business development. For project management services, the project portfolio under management was further optimised, as shown by a higher proportion of residential projects in first tier and second tier cities with improved quality.

- ***Excellent Performance and Development in Third-party Bidding Expansion***

  With over four years of experience, Shimao Services' market expansion capabilities have risen to a higher level. In 2023, the win rate of third-party bidding expansion reached 43.8%, representing an increase of 11.8 percentage points as compared with the same period of the previous year, and achieving "three improvements" in the annualised contract amount, the contracted GFA and the average price of property management fees. The annualised contract amount from new projects reached RMB1,156.5 million, 41.7 million sq.m. of newly contracted GFA was added and the average price of property management fee for new projects increased to RMB2.3 per sq.m. per month. The quality of projects from third-party market bidding expansion has been enhanced in all aspects.

  In 2023, Shimao Services won 1 project with a total contract amount exceeding RMB100 million and over 20 projects with the annualised contract amount exceeding RMB10 million, including benchmark projects of "China Mobile Quanzhou Section in Fujian Province (中國移動福建省泉州標段)", "Zhangjiajie Hehua International Airport (張家界荷花機場)" and "Jingdong Suzhou-Shanghai Industrial Park (京東蘇滬產業園)". Our business team is gaining competency rapidly.

- ***Satisfactory Services and Customer Feedbacks***

  Shimao Services places emphasis on building capabilities to serve customers and manage relationship with users, so as to provide efficient and high-quality services. It extracts key service touchpoints from all aspects of the whole project management life cycle and enriches customer experience to gain high perceived value for user service and exceptional customer feedbacks. In 2023, the Group was awarded "China Mobile Outstanding Supplier (中國移動優秀供應商)", "TOP 1 of the Top 100 Enterprises in Property Service Satisfaction in China (中國物業服務滿意度百強TOP 1)" and "TOP 1 of the Leading Property Services Enterprises for Schools in China (中國學校物業服務領先企業TOP 1)", receiving recognition from major customers.

Firm Strategies, Perseverant Management and Resilient Operation

Shimao Services realises its strategic and management objectives through the "eight major campaigns". Aiming at "high-quality development", we insist on doing "hard but right thing" in pursuit of the best profitability and business structure as far as practicable.

- ***Cash Flow Management***

  In 2023, Shimao Services made vigorous efforts to increase collection rate by defining targets, enhancing standards for cash flow management and upgrading collection system, while establishing a mechanism for inter-departmental communication and co-ordination. It also improved the frontline collection strategy and instrument database. The collection ability has shown continuous enhancement as dynamic management of cash flow bolstered under the case-by-case strategies for each development. Through a year of fruitful efforts, the Group achieved net cash generated from operating activities of RMB1,030.4 million for the year, representing a significant improvement as compared to net cash used in operating activities of RMB1,511.8 million for the same period of the previous year, reflecting real high-quality development.

- ***Profitability Enhancement***

  In 2023, Shimao Services strived to build up project management capability while focusing on details. At the delivery stage, the Group defined service standards and strictly implemented service solutions to ensure the quality matches the price. At the operation stage, we exercised full control over the projects throughout their life cycles and grasped the key nodes, so as to continuously improve management solution and capability in a closed loop. Adhering to the principle of "being able to take up and manage projects with highlights", the Group endeavoured to attain the ultimate goal of managing quality projects with customers satisfaction and efficient operations. In 2023, the Group's profitability indicators increased, with the core net profit margin attributable to equity holders of the Company improving from 5.8% for the same period of last year to 7.9%, which was a remarkable improvement.

- ***Market Development Capability Enhancement***

  In 2023, Shimao Services implemented the strategy of "deepening presence in cities" and focused on centralising and creating synergy from market expansion by targeting 19 cities and deepening its presence. The Group laid emphasis on building up the capabilities to expand into and operate two to three key businesses, with a view to further diversifying its property management ecosystem. In 2023, among the annualised contract amount from newly-added projects of Shimao Services, over half was contributed by four coastal provinces in eastern China (namely Shandong, Jiangsu, Zhejiang and Fujian), whereas more than half were contributed by three quality project types (namely second-hand residents, public buildings and facilities, and new-built residents). The quality of projects from third-party market expansion showed rapid improvement.

- ***Breakthrough in Digital Capability***

  Through structure design, Shimao Services is constructing a comprehensive digital blueprint in line with its business strategies, and building up a set of platform-based tool systems for business management, with an aim to increase the accuracy and efficiency of operation management. In 2023, Shimao Services focused mainly on the digitalisation of the systems for basic property management, operation, tendering and procurement, finance and human resources to cover all business fields and processes. Update on the system has been consistently made to reflect changes in business. At the front end of business system, the Company worked on improving customer data collection, building customer profiles and refining customer service, while at the back, it emphasised on enhancing the integration and compatibility among the systems, increasing data quality and utilisation.

The Company's Vision

The vision of Shimao Services is to establish itself as a "Leading Full-scenario Provider of City Life Services in China" so as to create a better life for its users. The Company has positioned itself as a "Leading Comprehensive Property Management and Community Living Services Provider in China". Shimao Services aims to develop and continuously refine its "Four Business Portfolios", namely comprehensive property management services, diversified value-added services, smart city services, and digital technology service.

Future Outlook

Shimao Services will maintain strategic focus on its commitment to high-quality development in the medium to long term.

In respect of comprehensive property management services, the Company will forge three major business, namely residential property management, non-residential property management and cleaning, security, repairment and maintenance along the Shimao Chain. The Company will insist on growth and excellence and set up benchmark, in an attempt to lay the foundation for the development of other business.

In respect of diversified value-added services, the Company will target two major business of "Users+" and "Assets+". Focusing on business which is highly synergistic with property management, the Company will proactively seize growth opportunities in each business to create growth drivers.

In respect of smart city services, the Company will insist on steady growth and continuous improvement in operation quality. The Company will promote collaboration between internal and external marketing channels, and actively explores business such as integrated environmental protection and solid waste treatment to increase growth momentum.

In respect of digital technology services, the Company will continue its work on strategic planning to prepare for the future by reinforcing its business capability in all directions and gradually developing the second growth curve.

Shimao Services will step up exploration on new models of cooperation in property management business with other small and medium-sized real estate enterprises, thereby passing on Shimao Services capabilities and experience in property management service and scaling up its business within a short time.

Social Responsibility

Shimao Services as a socially responsible enterprise, always keeps in mind its social responsibilities while continuously developing and expanding itself. Shimao Services has committed itself to win-win opportunities for community, employees, customers and investors, actively fulfilling its corporate social responsibility.

The Company promotes the integration of sustainable development concept with its operations and management, draws close attention to and responds to internal and external demands and continuously reviews and manages its impact on the economy, society and environment. It also strives to bring harmony and sustainable development to enterprise and the society, and to create comprehensive value.

The Company actively responds to the national "dual-carbon" strategy by integrating the idea of environmental protection and green operations into business and community operations. It renovated facilities and equipment of a number of projects under management for the purposes of energy-saving and emission reduction, and continued to strengthen its energy management capability and increase the resource utilisation.

Providing value to owners and users is essential to Shimao Services, therefore it devoted efforts to creating an image of responsive organisation. The Company takes quality enhancement actions on a regular basis, including "Spring Ploughing Action (春耕行動)", "Improvement Action (進步行動)" and "Breakthrough Action in Communication (破繭行動)" to create a compound atmosphere with more love and fun, and thus was awarded first as "Top 100 Enterprises in Property Service Satisfaction in China (中國物業服務滿意度百強企業)" for two consecutive years.

Acknowledgement

In 2023, the domestic economic development entered a new stage, with the situation of capital markets under pressure and real estate sector in turmoil. On behalf of the Board, I would like to extend my heartfelt gratitude and deepest respect to our shareholders, business partners, local governments, property owners, customers and dedicated staff of Shimao Services for their immense support. Your understanding, support and assistance given to us by joining hands with Shimao Services are very much appreciated.

In 2024, Shimao Services will continue to put great effort into developing business and overcoming difficulties. We will uphold the Shimao spirit of "Pioneering, Down-to-earth and Prudent", adhere to the philosophy of "users-oriented and quality-centered", stay diligent and progressive for high-quality development and continue to create more value for shareholders.

Hui Sai Tan, Jason
Chairman

Hong Kong, 28 March 2024

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Business Overview

The Group is positioned as a leading comprehensive property management and community living service provider in China. We have created three business portfolios, namely comprehensive property services, diversified value-added services and smart city services, and are vigorously developing digital technology services. Currently, the Group has four major business segments: (1) property management services; (2) community value-added services; (3) value-added services to non-property owners; and (4) city services.

As at 31 December 2023, the Group recorded revenue of RMB8,202.7 million and gross profit of RMB1,646.4 million; profit for the year of RMB316.7 million and core net profit attributable to equity holders of the Company of RMB647.7 million. Gross profit margin was 20.1%; net profit margin was 3.9%; and core net profit margin attributable to equity holders of the Company was 7.9%. Net cash generated from operating activities amounted to RMB1,030.4 million, significantly exceeding net profit and achieving high-quality development.

As of 31 December 2023, Shimao Services provided a wide variety of services for 1,448 projects, covering various types of clients, including residential, universities and colleges, public buildings, industrial parks and hospitals, etc. The GFA under management amounted to 250.6 million sq.m.; and contracted GFA was 332.3 million sq.m..

➢ **PROPERTY MANAGEMENT SERVICES**

- **Representing 64.5% of total revenue and 64.7% of total gross profit**

  In 2023, the Group's revenue from property management services reached RMB5,291.9 million, representing a year-on-year increase of 5.0% as compared to RMB5,042.0 million in 2022, which was mainly attributable to (1) the increase in the managed GFA delivered by Shimao Group Holdings Limited ("Shimao Group"); and (2) the increase in the GFA from third-party market expansion, which facilitated a steady growth in the Group's revenue from property services.

  In 2023, gross profit from property management services of the Group reached RMB1,065.4 million, representing a year-on-year decrease of 5.4% as compared to RMB1,126.8 million in 2022. Gross profit margin was 20.1%, representing a decline of 2.2 percentage points as compared to 22.3% in 2022. Such decrease was mainly due to the increase in expense in the frontline project management for the purposes of further enhancing the quality of project management and developing high service standard.

The following table sets forth the Group's revenue, gross profit and gross profit margin from property management services for the years ended 31 December 2023 and 31 December 2022, respectively:

	For the year ended 31 December	
	2023	2022
Revenue (RMB million)	**5,291.9**	5,042.0
Gross profit (RMB million)	**1,065.4**	1,126.8
Gross profit margin (%)	**20.1%**	22.3%

- **Remained stable in GFA**

  In 2023, the Group's GFA under management and contracted GFA remained stable and the overall structure of project portfolio was further enhanced.

  As of 31 December 2023, the Group's GFA under management was 250.6 million sq.m., which was basically the same as compared to 261.6 million sq.m. in 2022; the Group's contracted GFA was 332.3 million sq.m., which was basically the same as compared to 341.3 million sq.m. in 2022. The healthy stability in GFA has laid a foundation for the development of all businesses of the Group, which can not only directly contribute revenue to property management services, but also provide foundation for value-added services and create business opportunities.

  As of 31 December 2023, the GFA under management from third parties was 189.0 million sq.m., accounting for 75.4%; the contracted GFA from third parties was 255.5 million sq.m., accounting for 76.9%. The Group continued to enlarge its business capacity, with third-party market expansion becoming the most important source of GFA under management, fuelling the Group's business development.

The following table sets forth the Group's GFA under management and contracted GFA which were categorised by property developer type for the years ended 31 December 2023 and 31 December 2022, respectively:

	For the year ended 31 December			
	2023		2022	
	Area ***(sq.m. in million)***	**Percentage** ***(%)***	Area *(sq.m. in million)*	Percentage *(%)*
GFA under management	**250.6**	**100%**	261.6	100%
Among which:				
From Shimao Group and its co-developers	**61.6**	**24.6%**	59.9	22.9%
From independent third-party developers	**189.0**	**75.4%**	201.7	77.1%
Contracted GFA	**332.3**	**100%**	341.3	100%
Among which:				
From Shimao Group and its co-developers	**76.8**	**23.1%**	77.8	22.8%
From independent third-party developers	**255.5**	**76.9%**	263.5	77.2%

As of 31 December 2023, the Group's GFA under management of residential projects was 142.9 million sq.m., accounting for 57.0%, representing an increase of 2.9 percentage points as compared to 54.1% in 2022; contracted GFA of residential projects was 189.4 million sq.m., accounting for 57.0%, representing a slight increase as compared to 56.2% in 2022. The increase in the percentage of residential projects will facilitate further improvement in profit margin and the development of community value-added services.

The following table sets forth the Group's GFA under management and contracted GFA which were categorised by property type for the years ended 31 December 2023 and 31 December 2022, respectively:

	For the year ended 31 December			
	2023		2022	
	Area *(sq.m. in million)*	**Percentage** *(%)*	Area *(sq.m. in million)*	Percentage *(%)*
GFA under management	**250.6**	**100%**	261.6	100%
Among which:				
Residential properties	**142.9**	**57.0%**	141.6	54.1%
Non-residential properties	**107.7**	**43.0%**	120.0	45.9%
Contracted GFA	**332.3**	**100%**	341.3	100%
Among which:				
Residential properties	**189.4**	**57.0%**	191.8	56.2%
Non-residential properties	**142.9**	**43.0%**	149.5	43.8%

During the year, based on the requirement of the high-quality development strategy, the Group proactively terminated certain projects as they had relatively low profit margins, more difficulties under management and higher management costs. Such an adjustment to the project portfolio allowed the Group to attain a better project portfolio under management and a more rationalised structure to realise its long-term healthy growth.

- **Significant improvement in the quality of projects from third-party bidding expansion**

  In 2023, the Group continued to improve its market expansion capabilities and its sustained service quality gained strong market recognition, with new projects from third-party bidding expansion achieved "three improvements". In 2023, the Group newly added 41.7 million sq.m. to the contracted GFA, representing a year-on-year increase of 4.0% as compared to 40.1 million sq.m. in the previous year; average property management fee in respect of third-party bidding expansion was RMB2.3 per sq.m. per month, representing a year-on-year increase of 4.5% as compared to RMB2.2 per sq.m. per month in the previous year; annualised contract amount was RMB1,156.5 million, representing a year-on-year increase of 7.6% as compared to RMB1,074.7 million last year. The proportion of contracted GFA of the newly added residential projects reached 34.1%, with brand new residential projects and second-hand residential projects accounting for 13.8% and 20.3%, respectively, which had a positive impact on the average price of property management fee and profit margin.

In 2023, the Group still attained exceptional performance in third-party expansion while facing the downturn of real estate market. The Group continued to enhance the quality of bid-winning project, which intensified the demonstration effect. This reflected a significant improvement in the quality of the expansion projects. The Group won bids of a number of projects with high contract value. Examples included the province-wide property service procurement project of China Mobile Group Fujian Co. (with a total contract value of over RMB100 million), the Shenzhen Aoyuan Jade Bay project and Zhejiang University Hangzhou Global Scientific and Technological Innovation Center project, etc.

The following table sets forth the Group's newly-added GFA under management and newly-added contracted GFA by projects from third-party bidding expansion which were categorised by property type for the years ended 31 December 2023 and 31 December 2022, respectively:

	For the year ended 31 December			
	2023		2022	
	Area ***(sq.m. in million)***	**Percentage** ***(%)***	Area *(sq.m. in million)*	Percentage *(%)*
Newly-added GFA under management	**28.8**	**100%**	33.1	100%
Among which:				
Residential properties	**8.7**	**30.3%**	11.1	33.5%
Non-residential properties	**20.1**	**69.7%**	22.0	66.5%
Newly-added contracted GFA	**41.7**	**100%**	40.1	100%
Among which:				
Residential properties	**14.2**	**34.1%**	15.1	37.7%
Non-residential properties	**27.5**	**65.9%**	25.0	62.3%

➢ COMMUNITY VALUE-ADDED SERVICES

- **Representing 16.6% of total revenue and 21.6% of total gross profit**

In 2023, the Group's revenue from community value-added services amounted to RMB1,362.9 million, representing a year-on-year decrease of 19.3% as compared to RMB1,688.3 million in 2022, which was mainly attributable to (1) a significant reduction in scale of some businesses with most relevance to the real estate industry (such as the smart scenario solutions business and the home decoration business) under the impact of the overall downturn of the real estate industry; and (2) the changes in the domestic economic conditions and overall consumption sentiment causing spending intention of property owners to be more prudent, which posed challenges for the new retail business.

In 2023, the Group's gross profit of community value-added services was RMB355.5 million, representing a year-on-year decrease of 32.2% as compared to RMB524.3 million in 2022, which was mainly due to a reduction in scale of segment businesses and a change in gross profit structure.

The following table sets forth the Group's revenue from community value-added services by category for the years ended 31 December 2023 and 31 December 2022, respectively:

	For the year ended 31 December					
	2023		2022			
	Revenue *(RMB million)*	**Percentage** *(%)*	Revenue *(RMB million)*	Percentage *(%)*	Change in revenue *(%)*	Change in percentage *(percentage point)*
Community asset management services	**280.8**	**20.6%**	235.8	14.0%	19.1%	increase by 6.6 percentage points
Smart scenario solutions	**85.6**	**6.3%**	338.3	20.0%	-74.7%	decrease by 13.7 percentage points
Carpark asset operation services	**294.6**	**21.6%**	323.0	19.1%	-8.8%	increase by 2.5 percentage points
Home decoration services	**81.9**	**6.0%**	123.9	7.3%	-33.9%	decrease by 1.3 percentage points
New retail services	**44.6**	**3.3%**	127.9	7.6%	-65.1%	decrease by 4.3 percentage points
Campus value-added services	**412.7**	**30.3%**	397.9	23.6%	3.7%	increase by 6.7 percentage points
Elderly care services	**162.7**	**11.9%**	141.5	8.4%	15.0%	increase by 3.5 percentage points
Subtotal of community value-added services	**1,362.9**	**100%**	1,688.3	100%	-19.3%	N/A

- ***For community asset management services, revenue was RMB280.8 million, representing a year-on-year increase of 19.1% as compared to RMB235.8 million last year***

  In 2023, the Group focused on developing key capabilities in business, sorted out capabilities required for the operations of the five major business, namely community operation, rental and sales services, public area services, in-house services and elevator services, at different stages. On one hand, by further exploration, 123 common spaces for commercial use per 10,000 sq.m. at the beginning of the year increased to 163 common spaces; on the other hand, by putting intensive efforts to increase the value of the common spaces, of which 53% generated revenue as compared to 39% at the beginning of the year. The results were remarkable, with 834 carpark spaces at the beginning of the year increased to 983 carpark spaces, whereas the percentage of paid carpark spaces increased from 83% at the beginning of the year to 97%.

- ***For smart scenario solutions, revenue was RMB85.6 million, representing a year-on-year decrease of 74.7% as compared to RMB338.3 million last year***

  In 2023, due to various factors, such as the overall market downturn in the real estate industry, the contraction in second-hand property transactions and the changes in consumption trends caused by the changes in economic conditions, the demand for intelligent renovation and upgrade and whole-house smart product upgrade from various types of clients weakened, which in turn affected our revenue and profit margin.

- ***For carpark asset operation services, revenue was RMB294.6 million, representing a year-on-year decrease of 8.8% as compared to RMB323.0 million last year***

  In 2023, the Group continued to focus on developing parking space management services to optimise its business structure. Due to the changes in real estate sector in China, the demand for parking spaces from property owners reduced, leading to lower revenue and profit margin.

- ***For home decoration services, revenue was RMB81.9 million, representing a year-on-year decrease of 33.9% as compared to RMB123.9 million last year***

  In 2023, due to the ongoing downturn in the real estate industry, the overall number of newly-built projects and new project deliveries dropped significantly in the market, resulting contraction in business scale and reduced revenue and profit margin.

- ***For new retail services, revenue was RMB44.6 million, representing a year-on-year decrease of 65.1% as compared to RMB127.9 million last year***

  In 2023, due to the changes in the overall economic conditions, the level of consumer spending by residents has declined, and customers were less willing to spend, resulting in a reduction in business volume, hence affected revenue and profit margin.

- ***For campus value-added services, revenue was RMB412.7 million, representing a year-on-year increase of 3.7% as compared to RMB397.9 million last year***

  In 2023, Zhejiang Zheda Sinew Property Services Group Co., Ltd. (浙江浙大新宇物業集團有限公司) ("Zheda Sinew") proactively expanded its business, as evidenced by the winning of bids for several quality big projects providing group catering services, such as the Second Student Canteen of Lyuliang University, the canteen in Ningbo factory of China Tobacco Zhejiang Industrial Co. and the canteen of Liangxiang Campus in Capital Normal University. To boost our revenue, we upgraded the integrated service capability of logistics services, focused on improving the operational and management capabilities for higher profitability, hence gross profit margin increased.

- ***For elderly care services, revenue was RMB162.7 million, representing a year-on-year increase of 15.0% as compared to RMB141.5 million last year***

  In 2023, the Shanghai Chunqiji Elderly Care Service Co., Ltd. (上海椿祺集養老服務有限公司) ("Healthtop") team actively expanded its business, newly added 4 service sites to its home-care business and the coverage of long-term elderly care insurance services increased to 20 cities, widening the source of revenue. Having cooperated on further exploiting the service sites for more than 2 years, Healthtop and Shimao Services have explored new business opportunities with high profit margins, effectively shoring up the overall profit margin. In 2023, we achieved a year-on-year increase of 2.9 percentage points in gross profit margin. In January 2024, the General Office of the State Council issued Opinions on Developing the Silver Economy and Improving the Well-being of the Elderly (《關於發展銀髮經濟增進老年人福祉的意見》), which pointed out the need to accelerate the development of a large silver economy which is standardised, concentrated and brand-based, and to create high-grade, precision and advanced products and high-quality service models for the elderly to share the achievements of economic development and lead a happy late life. This represents a golden opportunity for the elderly care business of Shimao Services.

➢ VALUE-ADDED SERVICES TO NON-PROPERTY OWNERS

- **Representing 2.6% of total revenue and 2.3% of total gross profit**

  In 2023, revenue from value-added services to non-property owners of the Group amounted to RMB213.1 million, representing a year-on-year decrease of 59.4% from RMB525.1 million in 2022. This was primarily due to a drop in the number of newly started dwellings amid the ongoing real estate downturn, hence a substantial contraction of the sales offices business, weighing on revenue and profit margin.

➢ CITY SERVICES

- **Representing 16.3% of total revenue and 11.4% of total gross profit**

  In 2023, revenue from city services of the Group reached RMB1,334.8 million, representing a year-on-year decrease of 3.4% from RMB1,381.4 million in 2022. This was mainly due to the Group refused to renew some low-quality projects upon expiration as the macroeconomic environment changed, which led to the reduction in revenue. In view of the changing market conditions, the Group adjusted strategy and terminated certain projects with lower profit margin and longer credit terms while endeavoured to enhance its management and operation capabilities, hence recorded a year-on-year increase in gross profit margin.

  In 2023, the Group focused on improving the interconnection and integration among city services business platforms, and strengthened the capability of marketing on a systematic basis, aiming to build a high-yield marketing team. In particular, the team won the bids of high-quality and big projects, including the Sanitation and Cleaning Project in Quanshan District, Xuzhou City (徐州市泉山區環衛市場化保潔項目) (with contract amount of RMB643.7 million) and the Integrated Sanitation Project (Section C) in the urban area of Chang'an District, Xi'an City (西安市長安區主城區環衛一體化項目C包) (with contract amount of RMB89.2 million).

FINANCIAL REVIEW

During the year, the Group realised:

Revenue

Revenue was RMB8,202.7 million, representing a year-on-year decrease of 5.0% as compared to RMB8,636.8 million for the same period of 2022. The Group generated revenue from four business segments: (1) property management services; (2) community value-added services; (3) value-added services to non-property owners; and (4) city services. During the year: (1) property management services remained the largest contributor of revenue and profit to the Group, with revenue amounted to RMB5,291.9 million, accounting for 64.5% of the total revenue and representing a year-on-year increase of 5.0% as compared to RMB5,042.0 million for the same period of 2022; (2) revenue from community value-added services amounted to RMB1,362.9 million, accounting for 16.6% of the total revenue and representing a year-on-year decrease of 19.3% as compared to RMB1,688.3 million for the same period of 2022; (3) revenue from value-added services to non-property owners amounted to RMB213.1 million, accounting for 2.6% of the total revenue and representing a year-on-year decrease of 59.4% as compared to RMB525.1 million for the same period of 2022; and (4) revenue from city services amounted to RMB1,334.8 million, accounting for 16.3% of the total revenue and representing a year-on-year decrease of 3.4% as compared to RMB1,381.4 million for the same period of 2022.

Cost of Sales and Services

Cost of sales and services of the Group primarily included staff costs, subcontracting costs, utilities and facility operating costs, cost of smart scenario solutions and others. During the year, cost of sales and services was RMB6,556.2 million, representing a year-on-year decrease of 2.1% as compared to RMB6,693.9 million for the same period of 2022. The decrease in costs was mainly attributable to (1) the optimisation of the Group's organisational structure for high-quality development which enhanced operational efficiency; and (2) the proactive adjustment of the project portfolio by terminating some projects with high difficulties under management and high management costs, which resulted in cost reduction.

Gross Profit and Gross Profit Margin

Gross profit amounted to RMB1,646.4 million, representing a year-on-year decrease of 15.3% as compared to RMB1,943.0 million in 2022. Gross profit margin was 20.1%, representing a decrease of 2.4 percentage points as compared to 22.5% for the same period of 2022. Gross profit margins for the Group's four business segments were: 20.1% for property management services, 26.1% for community value-added services, 18.1% for value added services to non-property owners and 14.0% for city services, respectively. Gross profit margins for those segments were 22.3%, 31.1%, 21.4% and 13.0% in 2022, respectively.

Gross profit margin for property management services was 20.1%, representing a decrease of 2.2 percentage points as compared to 22.3% in 2022. It was mainly due to increased investment in frontline project management so as to further improve project management quality and develop high standards of services.

Gross profit margin for community value-added services was 26.1%, representing a decrease of 5.0 percentage points as compared to 31.1% in 2022. It was mainly due to a reduction in scale of segment businesses and a change in gross profit structure.

Gross profit margin for value-added services to non-property owners was 18.1%, representing a decrease of 3.3 percentage points as compared to 21.4% in 2022. It was mainly due to a drop in the number of newly started dwellings amid the ongoing real estate downturn, hence a substantial contraction of the sales offices business, weighing on revenue and profit margin.

Gross profit margin for city services was 14.0%, which remained stable as compared to 13.0% in 2022.

Selling and Marketing Expenses

Selling and marketing expenses were RMB136.6 million, representing a year-on-year decrease of 41.5% as compared to RMB233.5 million in 2022, and accounted for 1.7% of the total revenue, representing a decrease of 1.0 percentage point as compared to 2.7% in 2022. The decrease was mainly due to the Group's efforts to reduce costs and improve efficiency by effectively lowering marketing expenses through measures such as optimization of the marketing team and precision marketing promotions.

Administrative Expenses

During the year, administrative expenses were RMB989.5 million, representing a year-on-year decrease of 27.1% as compared to RMB1,356.5 million in 2022, and accounted for 12.1% of the revenue, representing a decrease of 3.6 percentage points as compared to 15.7% in 2022. It was mainly due to the Group's efforts to reduce costs and improve efficiency by effectively lowering administrative expenses through measures such as optimisation of the management team, control over administrative cost and reduction in system development.

Impairment Losses on Financial Assets – Net

During the year, the Group's impairment losses on financial assets – net was RMB86.6 million, representing a significant decrease of RMB657.1 million as compared to RMB743.7 million in 2022. This was primarily because the Group tightened its control over connected transactions, improved the collectability of trade receivables with longer aging from third-party customers, thus bad debt provision rate remained at a relatively stable level as compared to 2022.

Impairment Losses on Intangible Assets

During the year, the Group's impairment losses on goodwill – net was RMB15.4 million, representing a significant decrease of RMB689.7 million as compared to RMB705.1 million in 2022. During the year, the Group's impairment losses on customer relationship was RMB105.9 million, representing a significant increase of RMB85.4 million as compared to RMB20.5 million in 2022. The Group strengthened its operational control over the acquired companies and built an impairment test model for real-time monitoring of their operating performance. Nevertheless, considering a slowdown of economic growth in 2023 nationwide, the Group, based on prudence principle, provided for certain impairment on goodwill and customer relationship of the acquired companies with lower-than-expected operating performance.

Operating Profit/(Loss)

During the year, operating profit was RMB343.6 million, a marked turnaround as compared to operating loss of RMB809.8 million in 2022. It was mainly due to the fact that (1) the Group adhered to the concept of high-quality development and made in-depth adjustments to the overall organisational and management structure, optimising management levels and enhancing operational efficiency; and (2) based on the requirements of the overall management objectives, the Group proactively made adjustments to the projects portfolio under its management. Projects with high difficulties under management and high management costs were not renewed upon contract expiry, thus enhancing the overall profit margin.

Finance Income/(Cost) – Net

During the year, finance income – net was RMB32.2 million, representing a marked turnaround as compared to finance cost – net of RMB161.7 million in 2022. It was mainly due to a slump in interest costs in 2023 following full repayment of the convertible bonds in October 2022.

Profit/(Loss) before Income Tax

During the year, profit before income tax amounted to RMB387.8 million, a marked turnaround as compared to loss before income tax of RMB958.7 million in 2022. It was mainly due to the fact that the Group (1) cut staff costs significantly by optimising staffing levels through structural adjustment for higher operational efficiency; (2) substantially brought down marketing and administrative expenses through cost control and management as well as increased utilization rates of available resources; (3) slashed impairment losses through enhanced management of trade receivables and goodwill; and (4) sharply reduced finance costs through management of debt financing.

Income Tax (Expense)/Credit

During the year, income tax expense amounted to RMB71.1 million, a jump from income tax credit of RMB82.1 million for 2022. This was primarily due to an increase in the Group's overall profit before tax for the year. Meanwhile, the Group took advantage of preferential tax policies in different areas across China to maintain the overall income tax rate at a relatively low level.

The IoT technology companies under the Group are entitled to the preferential tax policy of "tax exemption for the first two years and 50% tax reduction for the following three years". 2023 was the fourth year of entitlement to such preferential tax policy. Tibet Shimao Tian Cheng Property (formerly Hailiang Property), headquartered in Tibet, enjoyed tax benefits; while Chengdu Xinyi, Xi'an Fangrui and the newly established "second headquarters" enjoyed the preferential tax policy for "Western Region Development".

Pursuant to the rules and regulations of the Cayman Islands, the Group is not required to pay income tax of Cayman Islands.

The income tax rate applicable to the Group's entities incorporated in Hong Kong was 16.5% on the income subject to Hong Kong profits tax for the year. No provision was made for Hong Kong profits tax over the 12 months from 1 January 2023 to 31 December 2023, as the Group did not derive any income subject to Hong Kong profits tax.

Unless otherwise specified, the Group's subsidiaries in China shall pay PRC corporate income tax at a rate of 25%.

Profit/(Loss) for the Year

Profit for the year amounted to RMB316.7 million, greatly improved from loss for the year of RMB876.7 million in 2022. Profit attributable to equity holders of the Company was RMB273.2 million, a sharp increase as compared to loss attributable to equity holders of the Company of RMB927.1 million for the same period of 2022.

If excluded provision of impairment of receivables, expenses of the Share Award Scheme, fair value changes in purchase consideration adjustment, actual interest generated by convertible bonds, fair value changes in derivative embedded in convertible bonds, amortisation costs of intangible assets (brands, contracts and customer relationships) brought by M&A, impairment losses on vehicles, goodwill and customer relationship and performance compensation for acquired companies, the core net profit attributable to equity holders of the Company was approximately RMB647.7 million for the year ended 31 December 2023, representing a year-on-year increase of 29.6% as compared to RMB499.6 million in 2022. The increase in core net profit attributable to equity holders of the Company was mainly due to the fact that the Company (1) significantly reduced staff costs by optimising staffing structure and adjusting business process; (2) largely cut marketing and administrative expenses by means of precise marketing tools and centralised administrative management; and (3) considerably lowered finance costs by adjusting financing methods to reduce proportion of debt financing.

Investment Properties, Property, Plant and Equipment

As at 31 December 2023, net book value of investment properties, property, plant and equipment amounted to RMB590.2 million, representing a year-on-year decrease of 3.2% as compared to RMB609.8 million as at 31 December 2022. This was primarily due to the disposal of unused equipment and vehicles for city services business during the year.

Intangible Assets

As at 31 December 2023, the carrying amount of the Group's intangible assets was RMB2,657.7 million, representing a decrease of 8.8% as compared to RMB2,912.8 million as at 31 December 2022. The Group's intangible assets primarily included: (1) goodwill of RMB1,724.9 million recognised for the acquired companies; (2) customer relationships of RMB742.3 million recognised for the acquired companies; and (3) software research and development and purchase worth RMB135.8 million by the Group. Customer relationships and software have definite useful lives and are accounted for at cost less accumulated amortisation.

As at 31 December 2023, the Group's goodwill amounted to RMB1,724.9 million, representing a decrease of 0.9% as compared to RMB1,740.3 million as at 31 December 2022. The Group's goodwill mainly arose from the expected future development of the acquired companies, the improvement of market coverage, the expansion of service portfolio, the development of value-added services and the enhancement of management efficiency.

As at 31 December 2023, the Group's management had made a provision of impairment losses on goodwill amounting to RMB15.4 million for companies, including Hangzhou Jinhu, Tianjin Hexing and Xi'an Fangrui, and had made a provision of impairment losses on customer relationship amounting to RMB105.9 million for a company, namely Shi Lu Yuan.

Trade Receivables

As at 31 December 2023, trade receivables amounted to RMB3,209.2 million, representing an decrease of 0.3%, which remained stable as compared to RMB3,218.3 million in 2022.

Trade Payables

As at 31 December 2023, trade payables amounted to RMB1,212.5 million, which basically remained stable as compared to RMB1,175.1 million for the same period of 2022.

Liquidity, Reserves and Capital Structure

The Group maintained a strong financial position during the year. As at 31 December 2023, current assets amounted to RMB9,182.5 million, representing a decrease of 1.1% from RMB9,286.0 million as at 31 December 2022. The Group's cash and cash equivalents amounted to RMB3,788.3 million, representing a year-on-year increase of 64.2% from RMB2,307.3 million as at 31 December 2022. It was mainly due to (1) the continuous improvement of payment collectability through the dynamic management of cash flow; and (2) the net cash generated from operating activities for the year increased to RMB1,030.4 million.

The Group's net current assets amounted to RMB3,938.8 million as at 31 December 2023, with a current ratio of 1.75, which still stood at a healthy level as compared to the net current assets of RMB3,733.2 million as at 31 December 2022.

Capital Expenditure Commitments

As at 31 December 2023, there is no capital commitment that the Group had already contracted but not provided for.

Share Award Scheme

A Share Award Scheme of the Company (the "Share Award Scheme") was adopted by the Board of the Company on 28 June 2021 (the "Adoption Date"). The purpose of the Share Award Scheme is to recognise the contributions by certain selected employees of the Group and to provide them with incentives so as to retain them for the continual operation and development of the Group, and to attract suitable personnel for further development of the Group.

The Share Award Scheme shall be valid and effective for a term of ten years commencing from the Adoption Date. The maximum number of shares which can be awarded under the Share Award Scheme is 3% of the total number of issued shares of the Company as at the Adoption Date (i.e. 70,919,190 shares). On 19 June 2023, a total of 3,525,446 award shares were granted by the Company to certain Directors and eligible employees of the Group under the Share Award Scheme. As of 31 December 2023, a cumulative total of 7,542,551 award shares were granted to certain Directors and eligible employees of the Group under the Share Award Scheme.

Proceeds from the Listing

The Company was successfully listed on the Main Board of the Stock Exchange on 30 October 2020. Excluding underwriting fees and related expenses, the net proceeds from the listing amounted to HK$5,917.4 million (equivalent to RMB5,126 million). Details of the actual or intended use of proceeds from the listing are as follows:

Intended use of net proceeds	Proceeds available for utilisation *(RMB million)*	Allocation percentage *%*	Utilised amount as of 31 December 2023 *(RMB million)*	Unutilised amount as of 31 December 2023 *(RMB million)*	Expected timeline for utilising the remaining unutilised amount
(1) To continue to expand business scale through multiple channels	3,332	65%	3,022	310	2024
(2) To diversify people-oriented and property-oriented value-added service offerings	769	15%	276	493	2024
(3) To improve the information technology system and smart technologies	256	5%	159	97	2024
(4) To attract and nurture talent	256	5%	53	203	2024
(5) For working capital and other general corporate purposes	513	10%	213	300	2024
Total	5,126	100%	3,723	1,403	

The proceeds set out above have not been used, mainly because the Group did not successfully acquire previous potential target projects, and the Group will continue to identify suitable acquisition and investment targets. The management of the Group will continue to take both prudent and proactive approach into consideration for facilitating the utilisation of the proceeds to achieve healthy development of business and long-term benefit of shareholders.

Equity Fund Raising Activities and Use of Proceeds

Placing of Existing Shares and Top-up Subscription of New Shares under General Mandate (the "Top-Up Placing")

On 19 October 2021, the Company entered into a placing and subscription agreement (the "2021 Placing and Subscription Agreement") with Morgan Stanley & Co. International plc (the "Placing Agent"), Shimao Group and the vendor, Best Cosmos Limited ("Best Cosmos"), pursuant to which the Placing Agent conditionally agreed to place to not less than six independent professional, institutional and/or individual investors, on a fully underwritten basis, 115,000,000 existing ordinary shares of the Company at the placing price of HK$15.18 per share, and Best Cosmos conditionally agreed to subscribe for, and the Company conditionally agreed to allot and issue to Best Cosmos new ordinary shares, which were the same number as the placing shares that have been placed by the Placing Agent, at the placing price. The subscription shares have a nominal value of HK$1.15 million and a market value of HK$1,934.3 million, based on the closing price of HK$16.82 per share as quoted on the Stock Exchange on the last full trading day immediately before the time at which the 2021 Placing and Subscription Agreement was signed. The net price per subscription share is HK$15.09. The completion of placing of existing shares took place on 22 October 2021, and the Company allotted and issued 115,000,000 ordinary shares to Best Cosmos on 2 November 2021 under the general mandate granted to the Directors pursuant to an ordinary resolution passed at the 2021 annual general meeting of the Company (the "General Mandate").

The net proceeds received by the Company after deducting related fees and expenses were approximately HK$1,735 million. The Company intends to apply such net proceeds for potential M&A, business expansion, general working capital and general corporate uses. The Directors consider that the placing and subscription represent an opportunity to raise capital for the Company while broadening its shareholders and capital base, and it would strengthen the financial position of the Group and provide working capital to the Group. For further details, please refer to the announcements of the Company dated 20 October 2021 and 2 November 2021.

Details of the intended and actual use of the aggregate net proceeds of approximately HK$1,735 million (equivalent to approximately RMB1,426 million) from the above equity fund raising activities are as follows:

Intended use of net proceeds	**Net proceeds from Top-Up Placing available for utilisation** *(RMB million)*	**Allocation percentage** *%*	**Utilised net proceeds as of 31 December 2023** *(RMB million)*	**Unutilised net proceeds as of 31 December 2023** *(RMB million)*	**Expected timeline for utilising the remaining unutilised net proceeds**
(1) Potential M&A	1,140	80%	–	1,140	2024
(2) Business expansion	143	10%	–	143	2024
(3) General working capital and general corporate uses	143	10%	–	143	2024
Total	1,426	100%	–	1,426	

Due to the overall downturn of the real estate industry which led to an impact on the development of the property services industry, the overall growth rate of the industry significantly slowed down. Therefore, the Group's management shifted the strategy focus from M&A to third-party market expansion, such as brand advertising, project bidding, market channel expansion and marketing team building, in order to develop our own market expansion capability. The Group's management will continue to identify suitable acquisition targets when the industry recovers or an ideal opportunity arises, and will adopt a prudent and flexible approach for utilising the proceeds effectively to facilitate long-term and healthy development of the Group's business.

Connected Transactions

Continuing Connected Transactions – Multiple Services Master Agreements with Shimao Group

The Company entered into several agreements on 16 October 2020 with Shimao Group, which would constitute continuing connected transactions of the Company upon listing. As these agreements would be expired on 31 December 2022, with a view to continue the businesses with Shimao Group in a way that fits the current business environment and circumstances of the Company, on 6 December 2022, the Company and Shimao Group entered into the leasing master agreement, the carpark sales agency services master agreement and multiple non-exempt continuing connected transaction agreements, including the sales office operation master agreement, the IoT services master agreement, the engineering services master agreement, the property management services master agreement, the value-added services to non-property owners master agreement, the information technology services master agreement and the procurement and supply master agreement. These non-exempt continuing connected transaction master agreements and the respective annual caps were approved at the extraordinary general meeting of the Company held on 28 March 2023. For details of the above continuing connected transactions, please refer to the circular of the Company dated 13 March 2023 and the section headed "Management Discussion and Analysis" in the 2022 annual report of the Company.

Connected Transactions – Car Parking Space and Storage Units Purchase Agreements

On 29 December 2023, certain branch companies of Shanghai Runshang Real Estate Agent Co., Ltd. (上海潤尚房地產經紀有限公司) (an indirect wholly-owned subsidiary of the Company) entered into certain agreements with certain indirect wholly-owned subsidiaries of Shimao Group, pursuant to which the Group would acquire from the Shimao Group certain target assets, comprising an aggregate of 134 car parking spaces and 261 storage units in three projects of the Shimao Group, for an aggregate consideration of approximately RMB40.66 million.

The three projects at which the target assets are located have all been completed and delivered to homeowners. Since the real estate marketing teams for these projects were about to withdraw from these projects and the Group as a provider for ongoing property services, the Group considered that the acquisitions and the taking over of the target assets would be more convenient for the Group to manage, sell or lease these assets going forward. The demand for car parking spaces and storage units for the residents of these projects remains stable. The Group was of the view that the acquisitions and the taking over of the target assets would enable the Group to provide better services to homeowners in these projects, and would also present an opportunity for the Group to realise such assets and bring valuable returns to the Shareholders. For details of the above connected transactions, please refer to the announcement of the Company dated 29 December 2023.

Acquisitions

As at 31 December 2023, there was no acquisition by the Group.

Acquisitions and Future Outlook

When making acquisitions, apart from focusing on the alignment between the target company and the Group, it also takes into account the support to scale growth and the deployment of new race tracks for the building of new capabilities.

Basic requirements: The target company should be within the Group's existing management radius, a leading company in the region or sub-sector, not touching safety and other red-line issues, be able to accept the Group's integration requirements, and at the same time be concerned about whether the target company's customer base is from local middle-income and high-income class, so as to facilitate the launch of value-added services in the community at the later stage.

Horizontal integration: Focusing on the expansion of the management scale, expanding business scale and enhancing project density in key regions, so as to improve the ability of regional integrated cost control and supply chain output.

Vertical integration: Focusing on the target company's specialised operation capabilities and project experience in niche areas, so as to achieve effective empowerment and synergy.

In 2023, the continued downturn in the real estate industry led to contraction in all business, affecting the development of the downstream property management industry. Therefore, the Group will take a more prudent approach in M&A, and focus more on the refinement and enhancement of the capabilities of our existing businesses, so as to attain high-quality organic growth.

Foreign Exchange Risk

The Group principally operates in the PRC, and the majority of its business is conducted in RMB with limited exposure to the foreign exchange risk. However, any depreciation or appreciation in HKD and adjustment in the interest rates will affect the performance of the Group. Therefore, the Group will closely monitor its exchange rate risk and interest rate risk exposure, actively explore foreign exchange hedging plans with major banks and use financial instruments to hedge against such risks when necessary.

Employees and Compensation Policy

As at 31 December 2023, the Group had a total of 47,531 employees, representing an increase of 0.6%, which remained stable as compared to 47,260 employees as at 31 December 2022. Total staff costs amounted to RMB3,914.4 million, representing a decrease of 6.8% from RMB4,199.5 million for the last year. The decrease in staff costs was mainly attributable to the significant reduction in the number of highly paid management and marketing staff as a result of the overall organisational restructuring, optimisation of management levels and enhancement of operational efficiency based on the high-quality development strategy.

The salary paid to the employees by the Group was determined according to their duties, market levels as well as performance and contribution. Bonuses were also paid to employees based on their work performance. In addition, the Group offered its employees a variety of training and personal development schemes together with employee benefits, including pension fund, medical insurance and provident fund.

Contingent Liabilities

As at 31 December 2023, the Group did not have any material contingent liabilities.

Financial Policy

In order to manage liquidity risk, the Board closely monitors the Group's liquidity position to ensure that its assets, liabilities and other liquidity structure undertaken meet the capital requirements from time to time.

AUDITED ANNUAL RESULTS

The board of directors of the Company (the "Board") is pleased to present the audited consolidated annual results of the Group for the year ended 31 December 2023 together with comparative figures for 2022. These annual results have been reviewed by the Company's Audit Committee.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2023

		Year ended 31 December	
		2023	2022
	Notes	***RMB'000***	*RMB'000*
Revenue	*5*	**8,202,668**	8,636,811
Cost of sales and services	*5*	**(6,556,236)**	(6,693,853)
Gross profit		**1,646,432**	1,942,958
Selling and marketing expenses		**(136,643)**	(233,485)
Administrative expenses		**(989,518)**	(1,356,454)
Impairment losses on financial assets – net		**(86,595)**	(743,659)
Impairment losses on intangible assets		**(121,316)**	(725,620)
Fair value changes in derivative embedded in convertible bonds		**–**	57
Other income	*7*	**66,029**	94,412
Other gains and losses – net		**(23,976)**	252,791
Other operating expenses		**(10,844)**	(40,789)
Operating profit/(loss)		**343,569**	(809,789)
Finance income		**78,106**	54,616
Finance costs		**(45,932)**	(216,298)
Finance income/(costs) – net		**32,174**	(161,682)
Share of results of associates		**12,102**	12,749
Profit/(loss) before income tax	*6*	**387,845**	(958,722)
Income tax (expense)/credit	*8*	**(71,097)**	82,050
Profit/(loss) for the year		**316,748**	(876,672)

	Notes	Year ended 31 December **2023** ***RMB'000***	 2022 *RMB'000*
Profit/(loss) attributable to:			
– Equity holders of the Company		**273,245**	(927,120)
– Non-controlling interests		**43,503**	50,448
		316,748	(876,672)
Other comprehensive income/(expense) for the year, net of tax			
Items that may be reclassified to profit or loss			
– Exchange differences on translation of foreign operations		**4,278**	(63,005)
Total comprehensive income/(expense) for the year		**321,026**	(939,677)
Total comprehensive income/(expense) attributable to:			
– Equity holders of the Company		**277,523**	(990,125)
– Non-controlling interests		**43,503**	50,448
		321,026	(939,677)
Earnings/(Loss) per share	*9*		
– Basic *(RMB)*		**0.11**	(0.38)
– Diluted *(RMB)*		**0.11**	(0.38)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2023

		As at 31 December	
		2023	2022
	Notes	***RMB'000***	*RMB'000*
Non-current assets			
Property, plant and equipment		**571,929**	590,555
Right-of-use assets		**80,217**	101,965
Investment properties		**18,271**	19,243
Intangible assets		**2,657,718**	2,912,837
Deferred tax assets		**255,538**	257,529
Interests in associates		**61,019**	59,786
Financial assets at fair value through profit or loss		**124,178**	84,250
Contract assets		**165,406**	173,853
Prepayments, deposits and other receivables		**1,123,223**	1,113,583
Total non-current assets		**5,057,499**	5,313,601
Current assets			
Inventories		**210,883**	193,763
Trade receivables	*11*	**3,209,178**	3,218,266
Contract assets		**10,828**	7,851
Prepayments, deposits and other receivables		**926,452**	1,106,658
Restricted bank balances		**36,898**	92,122
Time deposits with maturity over three months		**1,000,000**	2,360,000
Cash and cash equivalents		**3,788,300**	2,307,301
Total current assets		**9,182,539**	9,285,961
Current liabilities			
Trade payables	*13*	**1,212,521**	1,175,103
Deposits received, accruals and other payables		**2,120,108**	2,445,879
Contract liabilities		**1,253,358**	1,227,899
Income tax liabilities		**393,199**	393,989
Borrowings		**232,154**	275,504
Lease liabilities		**32,383**	34,403
Total current liabilities		**5,243,723**	5,552,777
Net current assets		**3,938,816**	3,733,184
Total assets less current liabilities		**8,996,315**	9,046,785

		As at 31 December	
		2023	2022
	Notes	***RMB'000***	*RMB'000*
Non-current liabilities			
Borrowings		**67,788**	251,365
Lease liabilities		**35,954**	53,900
Deferred tax liabilities		**156,631**	176,012
Provisions for other liabilities and charges		**30,311**	30,893
Other payables		**59,478**	167,388
Total non-current liabilities		**350,162**	679,558
Net assets		**8,646,153**	8,367,227
Equity			
Share capital	*12*	**21,358**	21,358
Reserves		**7,895,082**	7,546,186
Equity attributable to equity holders of the Company		**7,916,440**	7,567,544
Non-controlling interests		**729,713**	799,683
Total equity		**8,646,153**	8,367,227

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

1. GENERAL INFORMATION

Shimao Services Holdings Limited (the "Company") was incorporated on 3 December 2019 under the laws of the Cayman Islands with limited liability. The address of the Company's registered office is 4th Floor, Harbour Place, 103 South Church Street, P.O. Box. 10240, Grand Cayman KY1-1002, Cayman Islands. The principal place of business is located at Unit 3820, 38th Floor, Tower One, Lippo Centre, 89 Queensway, Hong Kong. The Company has its primary listing on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 30 October 2020.

The Company is an investment holding company. The Company and its subsidiaries (the "Group") are principally engaged in the provision of property management services, community value-added services, value-added services to non-property owners and city services in the People's Republic of China (the "PRC").

The Company's immediate holding company is Best Cosmos Limited ("Best Cosmos"), a company incorporated in the British Virgin Island (the "BVI") and intermediate holding company is Shimao Group Holdings Limited ("Shimao Group") whose shares are listed on the Stock Exchange since 5 July 2006. In the opinion of the directors of the Company, the Company's ultimate holding company is Gemfair Investments Limited, a company incorporated in the BVI which is wholly owned by Mr. Hui Wing Mau ("Mr. Hui"/"Ultimate Controlling Shareholder").

2. BASIS OF PREPARATION

The consolidated financial statements of the Group have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") and disclosure requirements of the Hong Kong Companies Ordinance Cap. 622.

3. MATERIAL ACCOUNTING POLICIES

New and amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied, for the first time, the following new and amendments to HKFRSs issued by HKICPA which are mandatorily effective for the Group's financial year beginning 1 January 2023:

Amendments to HKFRS 17 (including the October 2020 and February 2022 Amendments to HKFRS 17)	Insurance Contracts
Amendments to HKAS 8	Definition of Accounting Estimates
Amendments to HKAS 1	Disclosure of Accounting Policies
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities Arising from a Single Transaction
Amendments to HKAS 12	International Tax Reform – Pillar Two Model Rules

The application of the new and amendments to HKFRSs in the current year has had no material impact on the Group's financial performance and position for the current and prior years and/or on the disclosures set out in the consolidated financial statements.

In accordance with the guidance set out in the amendments, accounting policy information that is standardized information, or information that only duplicates or summarises the requirements of the HKFRSs, is considered immaterial accounting policy information and is no longer disclosed in the notes to the consolidated financial statements so as not to obscure the material accounting policy information disclosed in the notes to the consolidated financial statements.

Amendments to HKFRSs in issue but not yet effective

The Group has not early applied the following new and amendments to HKFRSs that have been issued but are not yet effective, in the consolidated financial statements, except as described below:

Amendments to HKAS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[2]
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current[1]
Amendments to HKAS 1	Non-current Liabilities with Covenants[1]
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements[1]
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback[1]
Amendments to HKAS 21	Lack of Exchangeability[3]

[1] Effective for annual periods beginning on or after 1 January 2024.
[2] Effective for annual periods beginning on or after a date to be determined.
[3] Effective for annual periods beginning on or 1 January 2025.

The Group is in the progress of making assessments of the potential impact of these new amendments to HKFRSs upon initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements.

4. SEGMENT INFORMATION

Management has determined the operating segments based on the reports reviewed by the chief operating decision maker ("CODM"). The CODM, who is responsible for allocating resources and assessing performance of the operating segment, has been identified as the executive directors of the Company.

The CODM considers business from a product perspective and has identified the following two operating segments:

– Property management and related services, which include property management services, community value-added services and value-added services to non-property owners; and

– City services, which includes sanitation, cleaning and sewage and waste treatment business.

The CODM assesses the performance of the operating segments based on a measure of operating results, adjusted by excluding financial income, finance costs, other gains and losses – net, fair value changes in derivative embedded in convertible bonds, shares of results of associates and certain unallocated expenses.

All assets are allocated to operating segment assets other than deferred tax assets, interests in associates and other corporate assets. All liabilities are allocated to operating segment liabilities other than deferred tax liabilities, income tax liabilities, borrowings and other corporate liabilities.

Sales between segments are carried out on terms agreed upon by the respective segments' management.

The principal operating entity of the Group is domiciled in the PRC. For the purpose of segment information disclosure under HKFRS 8, the Group regard the PRC as its place of domicile. The Group's revenue from external customers is classified based on the geographical locations of the customers and the details are disclosed above. Accordingly, all of the Group's revenue were derived in the PRC during the year ended 31 December 2023 (2022: Same).

As at 31 December 2023, all of the non-current assets of the Group were located in the PRC (2022: Same).

The segment revenue and results are as follows:

	Property management services *RMB'000*	**City services** *RMB'000*	**Total** *RMB'000*
Year ended 31 December 2023			
Reportable segment revenue	**6,867,893**	**1,334,775**	**8,202,668**
Reportable segment results	**485,273**	**(106,138)**	**379,135**
Amounts included in the measure of segment results:			
Impairment losses on financial assets – net	**(59,961)**	**(26,634)**	**(86,595)**
Impairment losses on intangible assets	**(15,391)**	**(105,925)**	**(121,316)**
Fair value gain on financial assets at fair value through profit or loss	**4,876**	**39,462**	**44,338**
Net gain on disposal of property, plant and equipment	**(2,495)**	**2,765**	**270**
Depreciation of property, plant and equipment, right-of-use assets and investment properties	**(112,005)**	**(92,429)**	**(204,434)**
Amortisation of intangible assets	**(139,542)**	**(48,401)**	**(187,943)**
Year ended 31 December 2022			
Reportable segment revenue	7,255,371	1,381,440	8,636,811
Reportable segment results	(698,977)	(286,984)	(985,961)
Amounts included in the measure of segment results:			
Impairment losses on intangible assets	(305,048)	(420,572)	(725,620)
Fair value gain on financial assets at fair value through profit or loss	13,678	161,657	175,335
Impairment losses on financial assets – net	(722,058)	(21,601)	(743,659)
Net gain on disposal of property, plant and equipment	31,399	3,155	34,554
Depreciation of property, plant and equipment, right-of-use assets and investment properties	(86,999)	(92,913)	(179,912)
Amortisation of intangible assets	(118,442)	(50,983)	(169,425)

A reconciliation of segment results to profit/(loss) before income tax is provided as follows:

	Year ended 31 December	
	2023	2022
	RMB'000	*RMB'000*
Segment results	**379,135**	(985,961)
Fair value changes in derivative embedded in convertible bonds	**–**	57
Other gains and losses – net	**(23,976)**	252,791
Share of results of associates	**12,102**	12,749
Finance costs	**(45,932)**	(216,298)
Finance income	**78,106**	54,616
Unallocated expenses	**(11,590)**	(76,676)
Profit/(loss) before income tax	**387,845**	(958,722)

The segment assets and liabilities are as follows:

	Property management services *RMB'000*	City services *RMB'000*	Total *RMB'000*
As at 31 December 2023			
Segment assets	**9,615,366**	**1,866,551**	**11,481,917**
Segment liabilities	**3,923,212**	**820,901**	**4,744,113**
As at 31 December 2022			
Segment assets	11,637,549	1,875,152	13,512,701
Segment liabilities	4,238,561	814,130	5,052,691

Reconciliation of segment assets to total assets and segment liabilities to total liabilities provided as follows:

	As at 31 December	
	2023	2022
	RMB'000	*RMB'000*
Segment assets	**11,481,917**	13,512,701
Deferred tax assets	**255,538**	257,529
Interests in associates	**61,019**	59,786
Other corporate assets	**2,441,564**	769,546
Total assets	**14,240,038**	14,599,562
Segment liabilities	**4,744,113**	5,052,691
Deferred tax liabilities	**156,631**	176,012
Income tax liabilities	**393,199**	393,989
Borrowings	**299,942**	526,869
Other corporate liabilities	**–**	82,774
Total liabilities	**5,593,885**	6,232,335

5. REVENUE AND COST OF SALES AND SERVICES

Revenue mainly comprises of proceeds from property management services, value-added services and city services rendered to customers, net of value added tax and surcharges, and allowances for discounts. An analysis of the Group's revenue and cost of sales and services by category for the year is as follows:

	Year ended 31 December			
	2023		2022	
	Revenue *RMB'000*	**Cost of sales and services** *RMB'000*	Revenue *RMB'000*	Cost of sales and services *RMB'000*
Revenue from customer and recognised over time:				
Property management services	**5,291,917**	**4,226,488**	5,042,007	3,915,218
Community value-added services	**442,999**	**290,623**	414,747	256,577
Value-added services to non-property owners	**213,088**	**174,604**	525,096	412,722
City services	**1,334,775**	**1,147,727**	1,381,440	1,201,933
	7,282,779	**5,839,442**	7,363,290	5,786,450
Revenue from customer and recognised at a point in time:				
Community value-added services	**919,889**	**716,794**	1,273,521	907,403
	8,202,668	**6,556,236**	8,636,811	6,693,853
Gross basis	**8,016,576**	**6,466,881**	8,425,520	6,601,216
Net basis	**186,092**	**89,355**	211,291	92,637
	8,202,668	**6,556,236**	8,636,811	6,693,853

6. PROFIT/(LOSS) BEFORE INCOME TAX

The Group's profit/(loss) before income tax is calculated after deducting the following expenses:

	Year ended 31 December	
	2023	2022
	RMB'000	*RMB'000*
Employee benefit expenses (excluding directors' and chief executive's remuneration)	**3,914,366**	4,199,528
Equity-settled share-based payment		
– Employees other than directors	**12,049**	17,011
– Directors	**5,396**	12,762
	17,445	29,773
Impairment losses on financial assets – net		
– Third parties		
Impairment losses on trade receivables and contract assets	**114,487**	122,143
Impairment losses on other financial assets included in deposits and other receivables	**8,250**	47,751
– Related parties		
Impairment losses on trade receivables	**13,105**	339,915
Impairment losses on other financial assets included in deposits and other receivables	**(49,247)**	233,850
Total provision of impairment losses on financial assets – net	**86,595**	743,659
Depreciation and amortisation:		
Depreciation of property, plant and equipment	**156,396**	130,673
Depreciation of right-of-use assets, included in administrative expenses	**47,066**	48,305
Depreciation of investment properties	**972**	934
Amortisation of intangible assets	**187,943**	169,425
	392,377	349,337
Auditors' remuneration		
– Annual and other audit services	**3,300**	3,300
– Non-audit services	**500**	1,100
	3,800	4,400
Cleaning cost	**662,311**	647,723
Greening and gardening costs	**113,439**	119,298
Security costs	**627,281**	460,402
Maintenance costs	**235,425**	230,763
System operation and upgrade costs	**40,130**	217,166
City services cost	**1,147,727**	1,201,933
Cost of inventories sold	**267,798**	393,508
Cost of selling parking lots	**1,230**	54,177
Raw materials used in catering services	**138,115**	109,526

7. OTHER INCOME

	Year ended 31 December	
	2023	2022
	RMB'000	*RMB'000*
Government grants	**49,451**	73,227
Value-added tax deductibles	**16,578**	21,185
	66,029	94,412

8. INCOME TAX (EXPENSE)/CREDIT

	Year ended 31 December	
	2023	2022
	RMB'000	*RMB'000*
Current income tax expense – PRC		
– Corporate income tax	**(88,487)**	(156,526)
– Under-provision in prior years	**–**	(4,312)
	(88,487)	(160,838)
Deferred tax credit	**17,390**	242,888
	(71,097)	82,050

9. EARNINGS/(LOSS) PER SHARE

	Year ended 31 December	
	2023	2022
Profit/(loss) attributable to equity holders of the Company *(RMB'000)*	**273,245**	(927,120)
Weighted average number of ordinary shares *(in thousands)*	**2,470,683**	2,464,126
Basic earnings/(loss) per share *(expressed in RMB per share)*	**0.11**	(0.38)

Diluted earnings per share is calculated by adjusting the weighted average number of equity shares outstanding to assume conversion of all dilutive potential ordinary shares. The Group has potential ordinary shares arising from the share award scheme.

For the share award scheme, the number of shares that would have been issued assuming the exercise of the share award less the number of shares that could have been issued at fair value (determined as the average market price per share) for the same total proceeds is the number of shares issued for no consideration. The resulting number of shares issued for no consideration is included in the weighted average number of equity shares as the denominator for calculating diluted earnings per share.

	Year ended 31 December	
	2023	2022
Profit/(loss) attributable to ordinary holders of the Company *(RMB'000)*	**273,245**	(927,120)
Profit/(loss) for the year, attributable to owners of the company for diluted earnings/(loss) per shares *(RMB'000)*	**273,245**	(927,120)
Weighted average number of equity shares for basic earnings/(loss) per share *(in thousands)*	**2,470,683**	2,464,126
Adjustments: share award scheme *(in thousands)*	**5,082**	–*
Weighted average number of ordinary shares for dilutive earnings/(loss) per share *(in thousands)*	**2,475,765**	2,464,126

* For the year ended 31 December 2022, the computation of diluted loss per share does not assume the vest of shares under share award scheme since the vesting would result in decrease in loss per share from continuing operations.

10. DIVIDENDS

The Board does not recommend the payment of final dividend for the year ended 31 December 2023 (2022:Nil).

11. TRADE RECEIVABLES

	As at 31 December	
	2023	2022
	RMB'000	*RMB'000*
Trade receivables		
– Related parties	**748,477**	781,044
– Third parties	**3,354,689**	3,205,927
	4,103,166	3,986,971
Note receivables		
– Related parties	**1,437**	5,519
– Third parties	**1,558**	1,230
	2,995	6,749
Less: allowance for impairment losses on trade receivables and note receivables	**(896,983)**	(775,454)
	3,209,178	3,218,266

For trade receivables from property management services, the Group charges property management fees on a monthly or quarterly basis and the payment is generally due upon the issuance of demand notes. No credit period is granted (2022: Nil).

Trade receivables from value-added services and city services are due for payments in accordance with the terms of the relevant services agreements with property developers and government bodies, which is normally within 30-90 days (2022: 30-90 days) from the issue of demand note.

The amounts due from related parties are repayable on credit terms similar to those offered to other major customers of the Group.

An ageing analysis of the trade receivables as at the end of the year, based on the earlier of invoice date or revenue recognition date and before impairment, is as follows:

	As at 31 December	
	2023	2022
	RMB'000	*RMB'000*
Within 1 year	**2,396,233**	2,641,297
1 to 2 years	**790,945**	1,045,831
2 to 3 years	**758,392**	289,169
3 to 4 years	**148,100**	9,016
4 to 5 years	**8,330**	370
Over 5 years	**1,166**	1,288
	4,103,166	3,986,971

As at 31 December 2023, the trade receivables were denominated in RMB, and the fair value of trade receivables approximated their carrying amounts (2022: Same).

As at 31 December 2023, the total note receivables (before impairment) amounting to RMB2,995,000 are held by the Group for future settlement of trade receivables (2022: RMB6,749,000). All note receivables received by the Group are with a maturity period of less than one year.

12. SHARE CAPITAL

Ordinary shares

	Number of ordinary shares of HK$0.01 each	Share capital *HK$*	*RMB*
Authorised			
As at 31 December 2022, 1 January 2023 and 31 December 2023	3,500,000,000	35,000,000	30,350,583
Issued and fully paid			
As at 1 January 2022	2,478,973,000	24,789,730	21,444,970
Repurchase and cancellation of shares *(Note (a))*	(10,800,000)	(108,000)	(87,158)
As at 31 December 2022, 1 January 2023 and 31 December 2023	**2,468,173,000**	**24,681,730**	**21,357,812**

Note:

(a) During the year ended 31 December 2021, the Company repurchased 10,800,000 of its own shares from the market which were cancelled on 10 March 2022. The shares were acquired at prices ranging from HK$4.68 to HK$13.68 with an average price of HK$6.69 per share. The total amount paid for repurchase of shares were approximately HK$72,303,000 (equivalent to approximately RMB66,414,000).

13. TRADE PAYABLES

	As at 31 December	
	2023	2022
	RMB'000	*RMB'000*
Trade payables		
– Related parties	**6,291**	19,750
– Third parties	**1,206,230**	1,155,353
	1,212,521	1,175,103

The trade payables have a normal credit terms of 30 to 90 (2022: 30 to 90) days. As at 31 December 2023, the carrying amounts of trade payables approximated to their fair values (2022: Same). At 31 December 2023 trade payables were denominated in RMB (2022: Same).

The ageing analysis of trade payables based on the invoice date was as follows:

	As at 31 December	
	2023	2022
	RMB'000	*RMB'000*
Within 1 year	**968,851**	924,628
1 to 2 years	**103,603**	182,699
2 to 3 years	**111,234**	64,536
3 to 4 years	**26,143**	2,170
4 to 5 years	**1,702**	805
Over 5 years	**988**	265
	1,212,521	1,175,103

CORPORATE GOVERNANCE AND OTHER INFORMATION

Compliance with Model Code set out in Appendix C3 to the Listing Rules

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix C3 to the Rules Governing the Listing of Securities (the "Listing Rules") on the Stock Exchange as the code of conduct regarding securities transactions by the directors of the Company (the "Directors"). The Company has made specific enquiry of all Directors and all Directors confirmed that they had complied with the required standard set out in the Model Code throughout the year ended 31 December 2023.

Compliance with the Corporate Governance Code

The Company has complied with all applicable code provisions as set out in the Corporate Governance Code (the "CG Code") contained in Appendix C1 to the Listing Rules throughout the year ended 31 December 2023 except for the following deviation:

The Chairman of the Board was unable to attend the annual general meeting of the Company held on 6 June 2023 as required by the code provision F.2.2 of the CG Code due to the other work commitment.

Purchase, Sale or Redemption of Listed Securities

During the year ended 31 December 2023, Shimao Services (BVI) Limited, a wholly-owned subsidiary of the Company, which also is the trustee of the Share Award Scheme purchased from the market a total of 9,503,000 shares at an aggregate consideration of approximately HK$15,909,430.29 (before expenses), among which were held upon trust pursuant to the terms of the rules and trust deed of the Share Award Scheme.

Save as disclosed above, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2023.

Annual General Meeting

The 2024 annual general meeting of the Company (the "AGM") will be held on Wednesday, 19 June 2024. A notice convening the AGM will be published and dispatched to the shareholders of the Company in the manner as required by the Listing Rules in due course.

Final Dividend

The Board does not recommend the payment of a final dividend for the year ended 31 December 2023 (2022: Nil).

Scope of Work of the Auditor

The figures in respect of the Group's consolidated statement of profit or loss and other comprehensive income, consolidated statement of financial position and the related notes thereto for the year ended 31 December 2023 as set out in this results announcement have been agreed by the Group's auditor, Elite Partners CPA Limited ("Elite Partners"), to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Elite Partners in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance conclusion has been expressed by Elite Partners on this results announcement.

Closure of Register of Members

For the purpose of ascertaining shareholders' entitlement to attend and vote at the AGM, the register of members of the Company will be closed from Thursday, 13 June 2024 to Wednesday, 19 June 2024 (both days inclusive), during which no transfer of shares will be registered. In order to be eligible to attend and vote at the AGM, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited, at 17th Floor, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration no later than 4:30 p.m. on Wednesday, 12 June 2024.

On behalf of the Board
Shimao Services Holdings Limited
Hui Sai Tan, Jason
Chairman

Hong Kong, 28 March 2024

As at the date of this announcement, the Board comprises three Executive Directors, namely Mr. Hui Sai Tan, Jason (Chairman), Mr. Ye Mingjie (President) and Mr. Cao Shiyang; one Non-executive Director, namely, Ms. Tang Fei; and three Independent Non-executive Directors, namely, Mr. Gu Yunchang, Ms. Zhou Xinyi and Mr. Hui Wai Man, Lawrence.